Channels.finance

A new generation of borrow/lending platform and DeFi second half flagship innovation with more effective vault mechanism (SmartVault2.0)

1. Industry Background

DeFi's Yield Farming boom swept the world in September 2020 and quickly attracted many assets and excellent teams to participate. Under this wave, participants in the two fields dominate traffic and innovation: On one hand, with Uniswap, a North American VC-backed New York project started in 2017, the Swap series set off a prelude to DEX liquidity mining. Numerous kinds of swaps that started by forcibly "vampire" attacks have become popular in a short period of time, resulting in a considerable number of motivated AMM miners; On the other hand, to resolve the embarrassing pain points of manual token mining, smart-vaults (such as YFI), with the use of mining pool designs of 98/2 (and other kinds), also gained attention from market enthusiasm in a very short time. Coupled with the blessing of many DEX platforms such as Curve and Balancer, the first half of the entire DeFi was booming for two months.

To be frank, DeFi and Yield Farming are not new inventions. However, the success of the last round of DeFi stems from a model upgrade that is fundamentally different from the 2017 ICO. Three years ago, investors involved in ICO needed to send their BTC or Ethereum to exchange for altcoins. Once the altcoin crash to zero, investors lose everything. AMM mining in 2020 locked the collateralized assets (stablecoins and Ethereum) in smart-contract with public addresses. In this way, even if the price of the farmed token experienced large fluctuations, as long as there were no loopholes in the smart-contract, the security of the principal (more precisely the amount of Ethereum) was guaranteed.

The nature of the smart contract lock-up determines that the first wave of DeFi game was dominated by players from the Ethereum ecosystem. Therefore, when we wonder where or in which manner DeFi will trigger the second half, the strong FOMO sentiment of non-Ethereum asset holders come into sight. The activation of non-Ethereum assets that did not participate in the first half at all become the largest incremental market source.

2. DeFi Second Half

At present, a few high-quality projects retained in the first half are still all on Ethereum. Therefore, instead of starting a battlefield on any new chain, cross-chain solutions to participate in the form of ERC-20 is the most direct and widely accepted choice. BitGo's wBTC, which struggled to find suitable use case last year, has successfully taken off in the past few months and has locked up close to $1.5bn of mortgage assets (as of October 26, 2020, the total locked assets include $1.48B USD, 3.7 million ETH And 110,000 BTC). This is a bridge for BTC holders to participate in DeFi, yet still hold their assets.

It makes other asset holders, such as LTC, EOS, XRP, etc. as well as the popular tokens popped-up recently (such as FIL and UNI that have just issued coins) itchy. The solution, which can seize the opportunity quickly, will open the vast blue ocean in the second half of DeFi.

Cross-chain attempts have a long history. After two or three years of debating and experiment, the industry leaders and investors have never been keener to bridge cross-chain mapping of other assets to ERC-20 tokens, and thus immediately join the Yield Farming battle to generate interest. The leading exchanges have carried the banner of this campaign (for example, Huobi has officially announced the H-class mapping ERC-20 token). At this point, the question is: How can investors use similar ERC-20 tokens to generate income?

3. Birth of Channels

Channels is a new generation borrow/lending platform and the flagship of Defi revolution in the second half. **Channels first upgraded the Compound Protocol (CAN-Compound) to connect cross-chain ERC-20 tokens created by the leading exchanges with stablecoins and mainstream tokens, which enables a wider range of assets to participate in the existing Yield Farming project immediately. Subsequently, through the introduction of Harvest-like smart vault (CAN-Harvest) and asset management optimizer, the return on assets is dynamically optimized.**

Firstly, taking Huobi Heco's H-class assets as an example. Channels will support H-class and mainstream stablecoins first. In addition to interest payment, both the lenders and borrowers also receive platform token ("CAN") as rewards (i.e. borrowing is mining). We believe that under Huobi's inspiration and pressure, other major exchanges will act quickly as counter strategy to prevent platform asset outflows. At this point, Huobi has announced the ERC-20 mapped coins. Tether, known as the “central bank of the currency circle”, is also working on similar initiatives. Practically, it issued $14bn USDT on Ethereum network with approximately 75% of BTC collateral as the most well adopted cross chain usage. The ERC-20 tokens generated by the various exchanges might have different return yields in their ecosystems. Channels plays an important role as bridge to enable return yield arbitrage across the tokens with the same underlying (for example, xEOS arbitrage from the yield difference between huobi hEOS and Tether tEOS).

At the second stage, when multiple top exchanges produce numerous cross-chain ERC-20 tokens, more innovative Yield Farming projects will be available. The difficulty of understanding many projects, soaring gas fees and tedious manual operations have become the biggest obstacles for participants in

DeFi mining. Channels solves the pain points by utilizing the assets deposited in the first phase as liquidity pools to maximize the return in the Smart-vault2.0 design.

At the same time, based on changes in supply and demand across the market cycles, CAN-Compound and CAN-Harvest will both generate returns on the assets you deposit to the platform. Channels provides dynamic optimization, so that the assets on the platform can achieve maximum returns with minimal manual adjustment. It solves the anxiety of understanding, comparing, and calculating of benefits all the time, and removes the inefficient manual operations.

4. Key to Success

Channels is updating the concepts of Compound and Harvest to serve a large number of idle assets and anxious holders of non-Ethereum in the second half of DeFi. Channels's overall product progress and marketing effort will focus on the leading exchanges when they roll out the mapping assets. The exchange took the lead to create awareness in the market, and Channels follows them closely to provide application platforms and revenue-generation using these assets.

Opportunity and Innovation

The exchange take the "central bank" role and mint cross-chain assets on Ethereum network, which creates a rare opportunity for us. Once the new mapped assets are created, there will be immediate demand on yield generation. The project, which can provide a reasonable yield return for these assets first, will certainly gain popularity. Channels build a bridge to connect existing mining projects and newly created assets. This is the most direct value-add Can-Compound can provide. After that, Channels attracts the assets deposited in the platform to form pools under Smart-vault for each underlying class.

Asset management functions in CAN-Harvest will return 75% of the production revenue to users who provide liquidity, 20% of the income from farming will be distributed to those users who deposit CAN. The remaining 5% will be used as token repurchase and project operating reserves.

When CAN-Compound and CAN-Harvest are both live, the platform will dynamically optimize the asset allocation between Can-Compound and CAN-Harvest through a balancer, so as to achieve the continuous maximum return. The technical development and product teams will upgrade the safety and risk control modules.

• Token Economy (updated on 7 February 2021)

A total of 5,000,000 CAN tokens will be allocated to mining and platform users, investors, and team/investors. The distribution plan is:

-63% (3,150,000) reserved for CAN-Compound users (3-year allocation)

- 2,880 CANs daily (half for borrower, half for lender)

-4% (200,000) reserved for liquidity pool reward (1-year allocation)

- 548 CANs daily

-7% (350,000) reserved for marketing campaigns and others (1-year allocation)

- 959 CANs daily

-13% is reserved for investors, with linear unlock 3 years scheme from 15 May 2021

-13% is reserved for team and operation, with linear unlock 5 years scheme from 15 May 2021

- CAN-Harvest is not to be developed at the moment.

• Market Sizing & Valuation

The market value of DeFi has recently stabilized at around US$10 billion. Compared with the entire crypto market value of US$390 billion, DeFi is still tiny. According to the Bankless Q3 Token Report, the DeFi has created 100 million income in the third quarter of 2020, of which 10 million is contributed by Compound, second only to Uniswap. This is just the beginning, and the future market potential is beyond doubt.

Channels, as the flagship platform to ride on the second half of Defi, benchmarked Compound and Harvest with clear differentiation and unique innovation. From the perspective of Token price, Comp's valuation range is between $600 million and $3.8 billion, and it is currently stabilize at around $1.1 billion; Harvest's valuation range is $400 million to $11.2 billion, currently at about $500 million.

Compound's Price/Sales Ratio is 19.2x (according to the statistics https://www.tokenterminal.com/ on 30 October 2020 corresponding to the price of $89.75). This is much lower than newer DeFi projects (such as Balancer 32.7x and Curve 53.1x), which demonstrates that investors are generally optimistic about the investment value in Compound, and the current price of Comp is also in a low tide.

CAN benchmarks Comp from the total number of issues, and we project the token prices following these three possible ranges. We expect the price of CAN to be 35-50 US dollars, which means that the estimated market value of Channels is $350-500 million.

-Reasonable range: CAN price is 30-60 US dollars, total market value of $300-600 million

-Conservative range: CAN price is 10-30 US dollars, total market value of $100-300 million
-Lowest range: CAN price is 2-10 US dollars, total market value of 20-100 million

5. To Dear Investors

Seizing the blue ocean opportunities of DeFi and Yield farming in the second half, Channels's CAN-Compound target assets which surpassed Compound's existing asset pool, and the borrow/lending demand for these newly created assets are met. In addition, CAN-Harvest is a substantial upgrade and optimization of the existing vault mechanism. Channels not only maximizes the external return of assets through CAN-Harvest, but also provides dynamic optimization of internal asset allocation.

The following table shows the value of CAN holders at different prices and corresponding holding percentage.

CAN Token Total Supply	10,000,000
Team & Investor Reserve	30%

				Extremely Low case (in $)			Conservative Price Target (in $)			Reasonable Target (in $)						
% in 30%	% in Total	Token	1	2	5	10	15	20	30	40	50	60	70	80	90	100
1%	0.3%	30,000	$30,000	$60,000	$150,000	$300,000	$450,000	$600,000	$900,000	$1,200,000	$1,500,000	$1,800,000	$2,100,000	$2,400,000	$2,700,000	$3,000,000
2%	0.6%	60,000	$60,000	$120,000	$300,000	$600,000	$900,000	$1,200,000	$1,800,000	$2,400,000	$3,000,000	$3,600,000	$4,200,000	$4,800,000	$5,400,000	$6,000,000
3%	0.9%	90,000	$90,000	$180,000	$450,000	$900,000	$1,350,000	$1,800,000	$2,700,000	$3,600,000	$4,500,000	$5,400,000	$6,300,000	$7,200,000	$8,100,000	$9,000,000
4%	1.2%	120,000	$120,000	$240,000	$600,000	$1,200,000	$1,800,000	$2,400,000	$3,600,000	$4,800,000	$6,000,000	$7,200,000	$8,400,000	$9,600,000	$10,800,000	$12,000,000
5%	1.5%	150,000	$150,000	$300,000	$750,000	$1,500,000	$2,250,000	$3,000,000	$4,500,000	$6,000,000	$7,500,000	$9,000,000	$10,500,000	$12,000,000	$13,500,000	$15,000,000
6%	1.8%	180,000	$180,000	$360,000	$900,000	$1,800,000	$2,700,000	$3,600,000	$5,400,000	$7,200,000	$9,000,000	$10,800,000	$12,600,000	$14,400,000	$16,200,000	$18,000,000
7%	2.1%	210,000	$210,000	$420,000	$1,050,000	$2,100,000	$3,150,000	$4,200,000	$6,300,000	$8,400,000	$10,500,000	$12,600,000	$14,700,000	$16,800,000	$18,900,000	$21,000,000
8%	2.4%	240,000	$240,000	$480,000	$1,200,000	$2,400,000	$3,600,000	$4,800,000	$7,200,000	$9,600,000	$12,000,000	$14,400,000	$16,800,000	$19,200,000	$21,600,000	$24,000,000
9%	2.7%	270,000	$270,000	$540,000	$1,350,000	$2,700,000	$4,050,000	$5,400,000	$8,100,000	$10,800,000	$13,500,000	$16,200,000	$18,900,000	$21,600,000	$24,300,000	$27,000,000
10%	3.0%	300,000	$300,000	$600,000	$1,500,000	$3,000,000	$4,500,000	$6,000,000	$9,000,000	$12,000,000	$15,000,000	$18,000,000	$21,000,000	$24,000,000	$27,000,000	$30,000,000
11%	3.3%	330,000	$330,000	$660,000	$1,650,000	$3,300,000	$4,950,000	$6,600,000	$9,900,000	$13,200,000	$16,500,000	$19,800,000	$23,100,000	$26,400,000	$29,700,000	$33,000,000
12%	3.6%	360,000	$360,000	$720,000	$1,800,000	$3,600,000	$5,400,000	$7,200,000	$10,800,000	$14,400,000	$18,000,000	$21,600,000	$25,200,000	$28,800,000	$32,400,000	$36,000,000
13%	3.9%	390,000	$390,000	$780,000	$1,950,000	$3,900,000	$5,850,000	$7,800,000	$11,700,000	$15,600,000	$19,500,000	$23,400,000	$27,300,000	$31,200,000	$35,100,000	$39,000,000
14%	4.2%	420,000	$420,000	$840,000	$2,100,000	$4,200,000	$6,300,000	$8,400,000	$12,600,000	$16,800,000	$21,000,000	$25,200,000	$29,400,000	$33,600,000	$37,800,000	$42,000,000
15%	4.5%	450,000	$450,000	$900,000	$2,250,000	$4,500,000	$6,750,000	$9,000,000	$13,500,000	$18,000,000	$22,500,000	$27,000,000	$31,500,000	$36,000,000	$40,500,000	$45,000,000

According to the development needs of Channels, USD200k-300k is estimated to be sufficient as seed capital for product development, security audit, marketing, partnership and operations initially. As Channels becomes online and CAN token is listed in exchanges and swaps, the funding needs can be met in various ways, including the profit sharing from Vaults.

The budget of the project at later stage would be mainly used for product updates and innovations, marketing campaigns, and cooperation with exchanges on their cross-chain assets. Ultimately the goal is to build up users and locked assets of Channels.